

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

For The Half-Year Ended 30 June 2019

Company No.

8029

A

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

(Incorporated in Malaysia)

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ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	30.06.2019 RM'000	31.12.2018 RM'000
ASSETS			
Property, plant and equipment		27,348	29,490
Right-of-use assets		35,306	-
Intangible assets		2,912	2,756
Investment properties		257,700	257,700
Investments	13	7,303,812	7,023,233
Available-for-sale financial assets		5,147,226	4,916,754
Financial assets at fair value through profit or loss		1,845,941	1,797,022
Loans and receivables		310,645	309,457
Reinsurance assets	15	29,285	31,729
Insurance receivables		38,988	31,693
Other receivables		44,380	38,200
Tax recoverable		13,586	12,612
Deferred tax assets		14,367	57,277
Cash and cash equivalents		209,603	243,033
Non-current asset classified as held-for-sale		550	550
Total assets		7,977,837	7,728,273
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		579,000	579,000
Retained earnings		811,422	683,783
Other reserves		101,489	36,309
Total equity		1,491,911	1,299,092
Insurance contract liabilities	16	4,533,946	4,436,963
Deferred tax liabilities		113,833	118,749
Lease liabilities		34,883	-
Other liabilities		65,557	81,402
Insurance payables		1,732,250	1,784,449
Current tax liabilities		5,457	7,618
Total liabilities		6,485,926	6,429,181
Total equity, policyholders' funds and liabilities		7,977,837	7,728,273

The accompanying notes form an integral part of these condensed interim financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	6 months ended 30.06.2019 RM'000	6 months ended 30.06.2018 RM'000
Gross earned premiums	391,452	382,190
Premiums ceded to reinsurers	(16,464)	(28,372)
Net earned premiums	374,988	353,818
Investment income	161,381	161,093
Realised gains and losses	1,954	10,827
Fair value gains and losses	67,959	(105,583)
Fee and commission income	946	609
Other revenue	232,240	66,946
Total revenue	607,228	420,764
Gross benefits and claims paid	(314,958)	(450,236)
Claims ceded to reinsurers	8,904	26,474
Gross change to contract liabilities	(9,684)	100,631
Change in contract liabilities ceded to reinsurers	(2,444)	204
Net claims	(318,182)	(322,927)
Fee and commission expenses	(57,772)	(58,569)
Management expenses	(65,436)	(61,747)
Other operating expenses - net	(769)	(957)
Other expenses	(123,977)	(121,273)
Operating profit	165,069	(23,436)
Finance cost	(722)	-
Profit/(loss) before taxation	164,347	(23,436)
Taxation	(36,708)	(3,452)
Net profit/(loss) for the financial period	127,639	(26,888)
Basic/diluted earnings/(loss) per share (sen)	22.04	(4.64)

The accompanying notes form an integral part of these condensed interim financial statements.

Company No.

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ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	6 months ended 30.06.2019 RM'000	6 months ended 30.06.2018 RM'000
Net profit/(loss) for the financial period	127,639	(26,888)
Other comprehensive income/(loss):		
Item that may be subsequently reclassified to profit or loss		
Fair value change on available-for-sale financial assets, net of deferred tax:		
- Gross fair value change arising during the financial period	165,521	(54,563)
- Gross fair value transferred to statement of profit or loss	(1,954)	(10,827)
- Deferred tax	(11,088)	4,512
Net fair value changes	152,479	(60,878)
Change in insurance contract liabilities arising from net fair value changes	(87,299)	40,444
Other comprehensive income/(loss) for the financial period, net of tax	65,180	(20,434)
Total comprehensive income/(loss) for the financial period	192,819	(47,322)

The accompanying notes form an integral part of these condensed interim financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	Issued and fully paid ordinary shares		Non-distributable			Retained earnings			Total
	Numbers of shares '000	Share capital RM'000	Available- for-sale fair value reserve RM'000	Asset revaluation reserve RM'000	Reserves of a disposal group classified as held-for-sale RM'000	Non-Par unallocated surplus ¹ RM'000	Distributable retained earnings RM'000	Total retained earnings RM'000	
At 1 January 2019	579,000	579,000	25,181	11,128	-	442,700	241,083	683,783	1,299,092
Net (loss)/profit for the financial period	-	-	-	-	-	(11,672)	139,311	127,639	127,639
Other comprehensive income for the financial period	-	-	65,180	-	-	-	-	-	65,180
At 30 June 2019	<u>579,000</u>	<u>579,000</u>	<u>90,361</u>	<u>11,128</u>	<u>-</u>	<u>431,028</u>	<u>380,394</u>	<u>811,422</u>	<u>1,491,911</u>
At 1 January 2018	579,000	579,000	25,092	11,128	9,646	417,772	515,045	932,817	1,557,683
Net profit/(loss) for the financial period	-	-	-	-	-	25,880	(52,768)	(26,888)	(26,888)
Other comprehensive loss for the financial period	-	-	(20,434)	-	(9,646)	-	-	-	(30,080)
Distribution to Shareholders	-	-	-	-	-	-	(224,792)	(224,792)	(224,792)
At 30 June 2018	<u>579,000</u>	<u>579,000</u>	<u>4,658</u>	<u>11,128</u>	<u>-</u>	<u>443,652</u>	<u>237,485</u>	<u>681,137</u>	<u>1,275,923</u>

¹In accordance with the FSA, the unallocated surplus of the Non-Participating ("Non-Par") fund is only available for distribution to the shareholders upon approval by the Appointed Actuary. There was no transfer from Non-Par fund unallocated surplus for the financial period ended 30 June 2019 (2018: Nil).

The accompanying notes form an integral part of these condensed interim financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	6 months ended 30.06.2019 RM'000	6 months ended 30.06.2018 RM'000
OPERATING ACTIVITIES		
Cash utilised in operating activities	(175,994)	(134,301)
Dividend/distribution income received	31,798	26,652
Interest/profit income received	129,277	132,208
Rental income on investment properties received	3,647	7,784
Property maintenance expenses paid	(3,676)	(3,789)
Interest expenses on lease liabilities	(722)	-
Income tax paid	(12,896)	(11,165)
Net cash inflows/(outflows) from operating activities	<u>(28,566)</u>	<u>17,389</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(9)	(287)
Purchase of intangible assets	(577)	(53)
Proceed from disposal of property, plant and equipment	49	-
Net cash outflows from investing activities	<u>(537)</u>	<u>(340)</u>
FINANCING ACTIVITIES		
Payment of lease liabilities	(4,327)	-
Net cash outflows from financing activities	<u>(4,327)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(33,430)	17,049
Cash and cash equivalents at the beginning of the financial period	243,033	271,464
Cash and cash equivalents at the end of the financial period	<u>209,603</u>	<u>288,513</u>
Cash and cash equivalents comprise:		
Cash and bank balances	209,603	288,513
	<u>209,603</u>	<u>288,513</u>

The accompanying notes form an integral part of these condensed interim financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018, which were prepared in accordance with the MFRS and International Financial Reporting Standards ("IFRS").

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the change in the financial position and performance of the Company since the financial year ended 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company for the unaudited condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

MFRS, Interpretations and amendments	Effective Date
<ul style="list-style-type: none"> MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations. 	1 January 2019
<ul style="list-style-type: none"> IC Interpretation 23 "Uncertainty over Income Tax Treatments". 	1 January 2019
<ul style="list-style-type: none"> Amendments to MFRS 119 Employee Benefits – Plan Amendment, Curtailment or Settlement 	1 January 2019
<ul style="list-style-type: none"> Annual improvements to MFRSs 2015-2017 cycle 	1 January 2019

MFRS 9 "Financial Instruments" is effective from annual periods beginning 1 January 2018. However, the Amendments to MFRS 4 "Insurance Contracts" included certain provisions to allow the deferral of MFRS 9 to 2021 (i.e. to be adopted at the same time for entities which are predominantly operating as an insurance business).

The Company's business activity is predominantly insurance and hence, qualifies for the temporary exemption approach. Consequently, management has decided to apply the temporary exemption from MFRS 9 from its annual period beginning 1 January 2018 and will adopt MFRS 9 for its annual period beginning 1 January 2021.

The adoption of the above mentioned standards, amendments and interpretations issued by Malaysian Accounting Standards Board ("MASB") in the current financial year did not have any material impact to the unaudited condensed interim financial statements of the Company except adoption of MFRS 16, the details and financial effects of the adoption of MFRS16 are disclosed in Note 3 Changes in Accounting Policies.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**3. CHANGES IN ACCOUNTING POLICIES****MFRS 16, Leases**

MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company adopted MFRS 16 with effect from 1 January 2019 using the modified retrospective approach, and measured the right-of-use asset and corresponding discounted lease liability, under which no restatement of comparative numbers is required. The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The Company has applied judgement to determine the lease term for lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such option impacts the lease term, which can significantly affect the amount of lease liabilities and right-of-use assets recognised.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)**Impact of adoption of MFRS 16

On transition to MFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarized below:

	01.01.2019
	RM'000
Right-of-use assets	36,523
Lease liabilities	<u>36,523</u>

Additional disclosure on adoption of MFRS 16

	01.01.2019
	RM'000
Operating lease commitment at 31 December 2018 as per previous financial statement prepared under MFRS 117	<u>24,706</u>
Present value of operating lease commitment	21,431
Recognition exemption for leases of low-value assets	(1,242)
Extension options reasonably certain to be exercised	<u>16,334</u>
Lease liabilities recognized at 1 January 2019	<u>36,523</u>

Impacts for the period

As a result of initially applying MFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised RM35,306,000 of right-of-use assets and RM34,883,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under MFRS 16, the Company has recognised depreciation and interest expenses, instead of operating lease expense. During the six months ended 30 June 2019, the Company recognised RM4,736,000 of depreciation expenses and RM722,000 of interest expenses from these leases.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

4. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited financial statements for the financial year ended 31 December 2018 was not qualified.

5. SEASONAL OR CYCLICAL FACTORS

The Company's business operations are not significantly affected by any unusual seasonal or cyclical factors.

6. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial period under review.

7. CHANGE IN ACCOUNTING ESTIMATES

There was no material changes in basis used for accounting estimates for the current financial period to date other than the impact of adoption of MFRS 16 as disclosed in Note 3.

8. DEBT AND EQUITY SECURITIES

There were no issuances or repayments of debt and equity securities for the current financial period under review.

9. DIVIDEND PAYMENT

There was no dividend paid during the current financial period under review.

10. SIGNIFICANT AND SUBSEQUENT EVENT

There are no material subsequent events from the end of the current financial period under review to the date of these unaudited condensed interim financial statements.

11. CHANGES IN COMPOSITION OF THE COMPANY

There were no changes in composition of the Company during the current financial period under review.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**12. CONTINGENT LIABILITIES**

The Company have entered into a consent judgment with a borrower, for the borrower to pay RM48mil for a certain property within a specified period, failing which the property will be auctioned. The said borrower did not meet the terms of the consent judgment and the Company proceeded to auction the charged property to settle the outstanding amount owed to the Company. On 6 September 2018, the Company received a writ from the said borrower for RM15.4mil (or alternatively RM8.5mil) being the surplus of the proceeds from the auction after deducting the RM48mil. The Company has filed its defence, and have applied to strike out the suit.

13. INVESTMENTS

	30.06.2019	31.12.2018
	RM'000	RM'000
Malaysian Government Securities/ Government Investment Issues	696,805	659,775
Corporate debt securities	4,396,019	4,215,199
Equity securities	1,459,629	1,416,963
Unit trusts	440,714	421,839
Loans	310,645	309,457
	<u>7,303,812</u>	<u>7,023,233</u>

The Company's financial investments are summarised by measurement categories as follows:

Available-for-sale ("AFS") financial assets	5,147,226	4,916,754
Fair value through profit or loss ("FVTPL") financial assets	1,845,941	1,797,022
Loans and receivables ("LAR")	310,645	309,457
	<u>7,303,812</u>	<u>7,023,233</u>

Investments that mature after 12 months:

AFS financial assets	4,693,886	4,512,353
FVTPL financial assets	155,893	149,004
LAR	4,179	5,402
	<u>4,853,958</u>	<u>4,666,759</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**14. FAIR VALUE MEASUREMENTS****(a) Determination of fair value and fair value hierarchy**

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted market price

Included in the quoted price category are financial instruments that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, secondary market via dealer and broker, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Valuation Techniques - Market Observable Input

Financial instruments in this category are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. It includes financial instruments for which pricing is obtained via pricing services, but where prices have not been determined in an active market, instruments with fair values based on broker quotes and discounted cash flows, the price of the most recent transactions may be used provided that there has not been a significant change in economic circumstances since the time of the transaction, or if the conditions have changed, that price should be adjusted to reflect the change in conditions by reference to current prices for similar financial instruments and investment in structured products with fair values obtained via investment bankers and/or fund managers.

Level 3 - Valuation Techniques - Unobservable input

Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unquoted equity securities, un-rated securities, investment properties, non-performing loans and debt securities from organisations in default. Valuation techniques of these portfolios are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the instrument at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the instrument (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data and judgments. The judgment applied in valuing the non-performing loans is explained in Note 3(a)(iii) to the financial statements.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**14. FAIR VALUE MEASUREMENTS (CONTINUED)****(b) Financial instruments and non-financial assets carried at fair value**

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>30 June 2019</u>				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	686,736	-	686,736
- Corporate debt securities	-	4,246,863	1,300	4,248,163
- Equity securities	193,171	-	14,161	207,332
- Unit trusts	4,995	-	-	4,995
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	10,069	-	10,069
- Corporate debt securities	-	147,856	-	147,856
- Equity securities	1,252,297	-	-	1,252,297
- Unit trusts	254,712	181,007	-	435,719
Non-financial assets				
Investment properties	-	-	257,700	257,700
Non-current assets classified as held-for-sale	-	550	-	550
	<u>1,705,175</u>	<u>5,273,081</u>	<u>273,161</u>	<u>7,251,417</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**14. FAIR VALUE MEASUREMENTS (CONTINUED)****(b) Financial instruments and non-financial assets carried at fair value (continued)**

The following tables show the Company's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>31 December 2018</u>				
AFS financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	650,083	-	650,083
- Corporate debt securities	-	4,071,017	1,300	4,072,317
- Equity securities	176,360	-	14,161	190,521
- Unit trusts	3,833	-	-	3,833
FVTPL financial assets:				
- Malaysian Government Securities/Government Investment Issues	-	9,692	-	9,692
- Corporate debt securities	-	142,882	-	142,882
- Equity securities	1,226,442	-	-	1,226,442
- Unit trusts	396,936	21,070	-	418,006
Non-financial assets				
Investment properties	-	-	257,700	257,700
Non-current assets classified as held-for-sale	-	550	-	550
	<u>1,803,571</u>	<u>4,895,294</u>	<u>273,161</u>	<u>6,972,026</u>

15. REINSURANCE ASSETS

	30.06.2019	31.12.2018
	RM'000	RM'000
Reinsurers' share of insurance contract liabilities (Note 16)	<u>29,285</u>	<u>31,729</u>

The carrying amounts disclosed above in respect of the reinsurance of insurance contracts approximate fair values at the date of the statement of financial position.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**16. INSURANCE CONTRACT LIABILITIES**

The analysis of life insurance contract liabilities and the movements are as follows:

	30.06.2019			31.12.2018		
	Gross	Re- insurance	Net	Gross	Re- insurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liability for future policyholders' benefits	3,308,037	(22,101)	3,285,936	3,320,502	(25,561)	3,294,941
Net asset value attributable to unitholders	1,080,332	-	1,080,332	1,010,940	-	1,010,940
Actuarial liabilities	4,388,369	(22,101)	4,366,268	4,331,442	(25,561)	4,305,881
Claims liabilities	102,458	(7,184)	95,274	94,163	(6,168)	87,995
	<u>4,490,827</u>	<u>(29,285)</u>	<u>4,461,542</u>	<u>4,425,605</u>	<u>(31,729)</u>	<u>4,393,876</u>
Life Participating Fund:						
- Unallocated deficit	(137,006)	-	(137,006)	(81,468)	-	(81,468)
- Available-for-sale reserve	159,135	-	159,135	71,836	-	71,836
- Asset revaluation reserve	20,990	-	20,990	20,990	-	20,990
	<u>4,533,946</u>	<u>(29,285)</u>	<u>4,504,661</u>	<u>4,436,963</u>	<u>(31,729)</u>	<u>4,405,234</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Actuarial liabilities</u>							
At 1 January 2018	2,617,674	1,771,977	4,389,651	(10,365)	(17,074)	(27,439)	4,362,212
Benefit and claims experience variation	(74,215)	40,323	(33,892)	879	999	1,878	(32,014)
Change due to valuation basis:							
Model enhancement	(7,148)	(4,646)	(11,794)	-	-	-	(11,794)
Yield movement	-	(7,292)	(7,292)	-	-	-	(7,292)
Assumption changes	(3,021)	11,914	8,893	-	-	-	8,893
Net asset value attributable to unitholders	-	(14,124)	(14,124)	-	-	-	(14,124)
At 31 December 2018	2,533,290	1,798,152	4,331,442	(9,486)	(16,075)	(25,561)	4,305,881
Benefit and claims experience variation	19,269	10,811	30,080	1,798	1,662	3,460	33,540
Change due to valuation basis:							
Model enhancement	(104,773)	-	(104,773)	-	-	-	(104,773)
Yield movement	-	62,228	62,228	-	-	-	62,228
Assumption changes	-	-	-	-	-	-	-
Net asset value attributable to unitholders	-	69,392	69,392	-	-	-	69,392
At 30 June 2019	<u>2,447,786</u>	<u>1,940,583</u>	<u>4,388,369</u>	<u>(7,688)</u>	<u>(14,413)</u>	<u>(22,101)</u>	<u>4,366,268</u>

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ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Claims liabilities</u>							
At 1 January 2018	36,238	34,754	70,992	(796)	(4,934)	(5,730)	65,262
Movement in claim provisions	6,182	16,989	23,171	194	(632)	(438)	22,733
At 31 December 2018	42,420	51,743	94,163	(602)	(5,566)	(6,168)	87,995
Movement in claim provisions	7,897	398	8,295	(489)	(527)	(1,016)	7,279
At 30 June 2019	<u>50,317</u>	<u>52,141</u>	<u>102,458</u>	<u>(1,091)</u>	<u>(6,093)</u>	<u>(7,184)</u>	<u>95,274</u>

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ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

(Incorporated in Malaysia)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2019			2018		
	With DPF	Without DPF*	Total	With DPF	Without DPF*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Unallocated surplus/(deficit)</u>						
At 1 January	(81,468)	442,700	361,232	(89,362)	417,772	328,410
Premium received	69,507	305,481	374,988	161,125	566,849	727,974
Payment due to death, surrenders, benefits and claims	(128,532)	(177,522)	(306,054)	(405,576)	(316,837)	(722,413)
Net investment income	132,805	83,424	216,229	121,999	25,009	147,008
Management expenses and commissions	(24,715)	(94,760)	(119,475)	(43,502)	(197,829)	(241,331)
Change in life insurance fund actuarial liabilities	77,608	(142,830)	(65,222)	78,201	(43,162)	35,039
Change in claims liabilities	(1,309)	(1,135)	(2,444)	(1,074)	(366)	(1,440)
Tax expense	(7,774)	15,670	7,896	(2,950)	(8,736)	(11,686)
Temporary funding (refund to)/from Shareholders' Fund	(173,128)	-	(173,128)	99,671	-	99,671
Net (deficit)/surplus for the financial period/year	(55,538)	(11,672)	(67,210)	7,894	24,928	32,822
At 30 June/31 December	(137,006)	431,028	294,022	(81,468)	442,700	361,232

*The unallocated surplus of the Life Non-Participating fund is reported under non-distributable retained earnings in the statement of changes in equity.

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**16. INSURANCE CONTRACT LIABILITIES (CONTINUED)**

	30.06.2019	31.12.2018
	RM'000	RM'000
<u>Available-for-sale reserves</u>		
At 1 January	71,836	79,413
Fair value change on available-for-sale financial assets, net of tax:		
- Gross fair value change	91,639	(8,053)
- Deferred taxation	(4,340)	476
	<u>87,299</u>	<u>(7,577)</u>
At 30 June/31 December	<u>159,135</u>	<u>71,836</u>
	30.06.2019	31.12.2018
	RM'000	RM'000
Asset revaluation reserves	<u>20,990</u>	<u>20,990</u>

17. TOTAL CAPITAL AVAILABLE

The regulated capital of the Company as at 30 June 2019 comprised capital available of RM2,091,519,000 (31 December 2018: RM1,953,191,000).

The capital structure of the Company as at 30 June 2019, as prescribed under the RBC Framework, is shown below:

	30.06.2019	31.12.2018
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Paid-up share capital	579,000	579,000
Reserves, including retained earnings	<u>1,306,775</u>	<u>1,326,451</u>
	<u>1,885,775</u>	<u>1,905,451</u>
<u>Tier 2 Capital</u>		
Assets revaluation reserves	24,910	24,910
Available-for-sale reserves	<u>195,201</u>	<u>80,107</u>
	<u>220,111</u>	<u>105,017</u>
Less:		
Deferred tax assets	<u>(14,367)</u>	<u>(57,277)</u>
Total Capital Available	<u>2,091,519</u>	<u>1,953,191</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**18. INSURANCE FUNDS**

The Company's operating activities are organised by funds and segregated into Life insurance (including Unit-Linked business) and Shareholders' funds in accordance with the FSA.

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 30 JUNE 2019

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	27,348	-	27,348
Right-of-use assets	35,306	-	35,306
Intangible assets	2,912	-	2,912
Investment properties	176,700	81,000	257,700
Investments	6,501,695	802,117	7,303,812
AFS	4,345,109	802,117	5,147,226
FVTPL	1,845,941	-	1,845,941
LAR	310,645	-	310,645
Reinsurance assets	29,285	-	29,285
Insurance receivables	38,988	-	38,988
Other receivables	39,664	4,716	44,380
Tax recoverable	8,677	4,909	13,586
Deferred tax assets	-	14,367	14,367
Cash and cash equivalents	163,143	46,460	209,603
Non-current assets classified as held-for-sale	550	-	550
Total assets	7,024,268	953,569	7,977,837
Equity, policyholders' funds and liabilities			
Share capital	-	579,000	579,000
Retained earnings	431,028	380,394	811,422
Other reserves	88,444	13,045	101,489
Total equity	519,472	972,439	1,491,911
Insurance contract liabilities	4,533,946	-	4,533,946
Deferred tax liabilities	113,833	-	113,833
Lease liabilities	34,883	-	34,883
Other liabilities	65,049	508	65,557
Insurance payables	1,732,250	-	1,732,250
Current tax liabilities	3,549	1,908	5,457
Total liabilities	6,483,510	2,416	6,485,926
Total equity, policyholders' funds and liabilities	7,002,982	974,855	7,977,837
Inter-fund balances	21,286	(21,286)	-

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**18. INSURANCE FUNDS (CONTINUED)****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION BY FUNDS
AS AT 31 DECEMBER 2018**

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Assets			
Property, plant and equipment	29,490	-	29,490
Intangible assets	2,756	-	2,756
Investment properties	176,700	81,000	257,700
Investments	6,350,837	672,396	7,023,233
AFS	4,244,358	672,396	4,916,754
FVTPL	1,797,022	-	1,797,022
LAR	309,457	-	309,457
Reinsurance assets	31,729	-	31,729
Insurance receivables	31,693	-	31,693
Other receivables	37,541	659	38,200
Tax recoverable	7,703	4,909	12,612
Deferred tax assets	-	57,277	57,277
Cash and cash equivalents	229,784	13,249	243,033
Non-current assets held-for-sale	550	-	550
Total assets	6,898,783	829,490	7,728,273
Equity, policyholders' funds and liabilities			
Share capital	-	579,000	579,000
Retained earnings	442,700	241,083	683,783
Other reserves	27,986	8,323	36,309
Total equity	470,686	828,406	1,299,092
Insurance contract liabilities	4,436,963	-	4,436,963
Deferred tax liabilities	118,749	-	118,749
Other liabilities	80,868	534	81,402
Insurance payables	1,784,449	-	1,784,449
Current tax liabilities	5,088	2,530	7,618
Total liabilities	6,426,117	3,064	6,429,181
Total equity, policyholders' funds and liabilities	6,896,803	831,470	7,728,273
Inter-fund balances	1,980	(1,980)	-

ZURICH LIFE INSURANCE MALAYSIA BERHAD (8029-A)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**18. INSURANCE FUNDS (CONTINUED)****UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	391,452	-	391,452
Premiums ceded to reinsurers	(16,464)	-	(16,464)
Net earned premiums	374,988	-	374,988
Investment income	146,329	15,052	161,381
Realised gains and losses	1,941	13	1,954
Fair value gains and losses	67,959	-	67,959
Fee and commission income	946	-	946
Other revenue	217,175	15,065	232,240
Total revenue	592,163	15,065	607,228
Gross benefits and claims paid	(314,958)	-	(314,958)
Claims ceded to reinsurers	8,904	-	8,904
Gross change to contract liabilities	(9,684)	-	(9,684)
Change in contract liabilities ceded to reinsurers	(2,444)	-	(2,444)
Net claims	(318,182)	-	(318,182)
Fee and commission expenses	(57,772)	-	(57,772)
Management expenses	(61,607)	(3,829)	(65,436)
Other operating expenses – net	(320)	(449)	(769)
Other expenses	(119,699)	(4,278)	(123,977)
Operating profit	154,282	10,787	165,069
Finance cost	(722)	-	(722)
Profit before taxation	153,560	10,787	164,347
Temporary funding (to)/from	(173,128)	173,128	-
Taxation	7,896	(44,604)	(36,708)
Net (loss)/profit for the financial period	(11,672)	139,311	127,639

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**18. INSURANCE FUNDS (CONTINUED)****UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS BY FUNDS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018**

	Life Fund	Share- holders' Fund	Total
	RM'000	RM'000	RM'000
Gross earned premiums	382,190	-	382,190
Premiums ceded to reinsurers	(28,372)	-	(28,372)
Net earned premiums	353,818	-	353,818
Investment income	145,034	16,059	161,093
Realised gains and losses	10,842	(15)	10,827
Fair value gains and losses	(105,583)	-	(105,583)
Fee and commission income	609	-	609
Other revenue	50,902	16,044	66,946
Total revenue	404,720	16,044	420,764
Gross benefits and claims paid	(450,236)	-	(450,236)
Claims ceded to reinsurers	26,474	-	26,474
Gross change to contract liabilities	100,631	-	100,631
Change in contract liabilities ceded to reinsurers	204	-	204
Net claims	(322,927)	-	(322,927)
Fee and commission expenses	(58,569)	-	(58,569)
Management expenses	(59,666)	(2,081)	(61,747)
Other operating expenses – net	(507)	(450)	(957)
Other expenses	(118,742)	(2,531)	(121,273)
Operating profit	(36,949)	13,513	(23,436)
Finance cost	-	-	-
Profit before taxation	(36,949)	13,513	(23,436)
Temporary funding from/(to)	82,242	(82,242)	-
Taxation	(19,413)	15,961	(3,452)
Net profit/(loss) for the financial period	25,880	(52,768)	(26,888)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**18. INSURANCE FUNDS (CONTINUED)****INVESTMENT-LINKED FUND****UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	30.06.2019	31.12.2018
	RM'000	RM'000
Assets		
Investments		
FVTPL	1,000,708	940,320
Other receivables	738	412
Tax recoverable	2,400	2,577
Cash and cash equivalents	91,900	81,390
Total assets	1,095,746	1,024,699
Liabilities		
Deferred tax liabilities	6,688	3,908
Other liabilities	2,255	1,658
Total liabilities	8,943	5,566
Inter-fund balances	6,471	8,193
Net asset value attributable to unitholders (Note 16)	1,080,332	1,010,940

INVESTMENT-LINKED FUND**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**

	6 months ended 30.06.2019	6 months ended 30.06.2018
	RM'000	RM'000
Investment income	17,298	16,246
Fair value gains and losses	31,015	(57,652)
	48,313	(41,406)
Fee and commission expenses	(6,726)	(8,102)
Management expenses	(24)	(23)
Other operating income/(expenses) – net	(58)	916
Profit/(loss) before taxation	41,505	(48,615)
Taxation	(2,998)	4,157
Net profit/(loss) for the financial period	38,507	(44,458)

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**19. ADDITIONAL DISCLOSURE UNDER AMENDMENTS TO MFRS 4 INSURANCE CONTRACT LIABILITIES**

The Company has applied the temporary exemption from the adoption of MFRS 9 "Financial Instruments" from 1 January 2018 to no later than 1 January 2021.

In order to compare with entities applying MFRS 9, the amendments require deferring entities to disclose additional information including contractual cash flows characteristics and credit exposure of the financial assets. The following table presents the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI").

- (a) The following table shows the carrying amount under MFRS 139 for financial assets with SPPI cash flows analysed by credit quality:

	Government Guarantee	AAA to AA	A1 to A3	BB and below	Impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2019						
AFS investments:						
Malaysian						
Government						
Securities/						
Government						
Investment						
Issues	686,736	-	-	-	-	686,736
Corporate debt						
securities	820,254	3,302,261	123,388	960	1,300	4,248,163
	<u>1,506,990</u>	<u>3,302,261</u>	<u>123,388</u>	<u>960</u>	<u>1,300</u>	<u>4,934,899</u>

- (b) Fair value/carrying amount:

	Financial assets with SPPI cash flows	Other financial assets	Total
	RM'000	RM'000	RM'000
Fair value as at 30 June 2019	5,092,824	2,533,244	7,626,068
Fair value changes during the financial period	165,521	4,856	170,377
Financial assets that do not have low credit risk:			
- Fair value/carrying amount as at 30 June 2019 under MFRS 139	124,348	N/A	N/A

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